

AL MASHA'AR REIT FUND
A Real Estate Investments Traded Fund
(Closed-Ended Fund)
(MANAGED BY MUSCAT CAPITAL)

INTERIM CONDENSED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020 AND
INDEPENDENT AUDITOR'S REVIEW REPORT

AL MASHA'AR REIT FUND
(MANAGED BY MUSCAT CAPITAL)
INTERIM CONDENSED FINANCIAL STATEMENTS
For the six-month period ended 30 June 2020

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INDEPENDENT AUDITOR'S REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS**TO THE UNITHOLDERS OF
AL MASHA'AR REIT FUND****INTRODUCTION**

We have reviewed the accompanying interim statement of financial position of Al Masha'ar REIT Fund (the "Fund") managed by Muscat Capital (the "Fund Manager") as at 30 June 2020 and the related interim statement of comprehensive (loss) / income, interim statement of changes in net assets (Equity) attributable to the unitholders and interim statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes (the "interim condensed financial statements"). Management is responsible for the preparation and presentation of these interim condensed financial statements in accordance with International Accounting Standard 34 - "Interim Financial Reporting" ("IAS 34") that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagement 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", that is endorsed in the Kingdom of Saudi Arabia. A review of interim condensed financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with IAS 34 that is endorsed in the Kingdom of Saudi Arabia.

For Al-Bassam & Co.


Ibrahim Ahmed Al-Bassam
Certified Public Accountant
License No. 337



5th Muharram 1442H
24th August 2020G
Riyadh, Kingdom of Saudi Arabia

AL MASHA'AR REIT FUND
A Real Estate Investments Traded Fund
(Closed-end fund)
(MANAGED BY MUSCAT CAPITAL)

INTERIM STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

(Amounts in Saudi Riyals)

<u>ASSETS</u>	Notes	30 June 2020	31 December 2019
		(Unaudited)	(Audited)
Cash and cash equivalents	6,12	8,529,692	1,499,302
Investments carried at fair value through profit or loss (FVTPL)	7,12	501,769	18,039,084
Rent receivable	8	615,180	530,728
Prepayment and other assets	12	343,524	164,075
Investment properties	9	539,730,150	558,562,364
TOTAL ASSETS		549,720,315	578,795,553
<u>LIABILITIES</u>			
Accrued management fee	12	-	1,323,320
Accrued expenses and other liabilities	12	651,510	645,840
TOTAL LIABILITIES		651,510	1,969,160
NET ASSETS (EQUITY) VALUE		549,068,805	576,826,393
UNITS IN ISSUE (<i>Number</i>)		57,240,000	57,240,000
PER UNIT VALUE		9.59	10.08
PER UNIT FAIR VALUE	11	9.59	10.32

The accompanying notes 1 to 21 form an integral part of these interim condensed financial statements.

AL MASHA'AR REIT FUND
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INTERIM STATEMENT OF COMPREHENSIVE (LOSS) / INCOME (UNAUDITED)

For the six-month period ended 30 June 2020

(Amounts in Saudi Riyals)

	<u>Notes</u>	For the six- month period ended 30 June 2020	For the six- month period ended 30 June 2019
		(Unaudited)	(Unaudited)
Rentals from investment properties	8, 9	19,212,934	19,159,718
Net realized and unrealized gain from investments carried at FVTPL	10	10,729	42,858
Income from Murabaha placements		-	61,195
Total operating income		19,223,663	19,263,771
Impairment on investment properties	9	(15,372,805)	-
Provision for doubtful debts	8	(11,401,082)	-
Depreciation expense	9	(3,459,409)	(3,459,409)
Management fee	12	(1,166,261)	(2,886,852)
Other expenses		(699,294)	(842,365)
Total operating expenses		(32,098,851)	(7,188,626)
Net (loss) / income for the period		(12,875,188)	12,075,145
Other comprehensive income		-	-
Total comprehensive (loss) / income for the period		(12,875,188)	12,075,145

The accompanying notes 1 to 21 form an integral part of these interim condensed financial statements.

AL MASHA'AR REIT FUND
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INTERIM STATEMENT OF CHANGES IN NET ASSETS (EQUITY) (UNAUDITED)
For the six-month period ended 30 June 2020
(Amounts in Saudi Riyals)

	<u>Note</u>	<u>For the six-month period ended 30 June 2020 (Unaudited)</u>	<u>For the six-month period ended 30 June 2019 (Unaudited)</u>
Net assets (Equity) value attributable to the Unitholder at beginning of the period		576,826,393	582,155,172
Changes from unit transaction:			
- Subscription of units – Cash		-	-
- Subscription of units – In-kind contribution	1	-	-
		-	-
Dividend paid during the period	16	(14,882,400)	(14,882,400)
Total comprehensive (loss) / income for the period		(12,875,188)	12,075,145
Net assets (Equity) value attributable to the unitholder at end of the period		549,068,805	579,347,917

Transactions in units for the period are summarized as follows:

	<u>For the six-month period ended 30 June 2020 (Unaudited)</u>	<u>For the six-month period ended 30 June 2019 (Unaudited)</u>
Number of units at the beginning of the period	57,240,000	57,240,000
Subscription of units – Cash	-	-
Subscription of units – In-kind contribution	-	-
Number of units at the end of the period	57,240,000	57,240,000

The accompanying notes 1 to 21 form an integral part of these interim condensed financial statements.

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INTERIM STATEMENT OF CASH FLOWS (UNAUDITED)

For the six-month period ended 30 June 2020

(Amounts in Saudi Riyals)

	Note	For the six- month period ended 30 June 2020	For the six- month period ended 30 June 2019
		(Unaudited)	(Unaudited)
OPERATING ACTIVITIES			
Net (loss) / income for the period		(12,875,188)	12,075,145
<i>Adjustment to reconcile net income to net cash from operating activities:</i>			
Depreciation on investment properties	9	3,459,409	3,459,409
Impairment on investment properties	9	15,372,805	-
Provision for doubtful debts	8	11,401,082	-
Unrealized gain from investments carried at FVTPL	10	(1,769)	(3,451)
Realized gain from investments carried at FVTPL	10	(8,960)	(39,407)
Income on Murabaha placements		-	(61,195)
		17,347,379	15,430,501
Changes in operating assets:			
Prepayment and other assets		(179,449)	(184,459)
Rent receivable		(11,485,534)	158,782
Other receivables		-	(81,004)
Changes in operating liabilities:			
Accrued Management fee		(1,323,320)	17,706
Accrued expenses and other liabilities		5,670	102,064
Net cash generated from operating activities		4,364,746	15,443,590
INVESTING ACTIVITIES			
Purchase of investments carried at FVTPL		(500,000)	(17,946,775)
Sale of investments carried at FVTPL		18,048,044	25,010,848
Murabaha placements		-	(17,766,000)
Murabaha matured		-	10,155,174
Net cash generated from / (used in) investing activities		17,548,044	(546,753)
FINANCING ACTIVITIES			
Dividend paid during the period	16	(14,882,400)	(14,882,400)
Net cash used in financing activities		(14,882,400)	(14,882,400)
NET INCREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at the beginning of the period		7,030,390	14,437
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		1,499,302	25,000
		8,529,692	39,437

The accompanying notes 1 to 21 form an integral part of these interim condensed financial statements.

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NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS

For the six-month period ended 30 June 2020

(Amounts in Saudi Riyals)

1. THE FUND AND ITS ACTIVITIES

Al Masha'ar REIT Fund (the "REIT" or the "Fund") is a closed-ended Shariah compliant real estate investment traded fund. The Fund commenced its operation on 27 December 2017.

The REIT is managed by Muscat Capital (the "Fund Manager"), a Saudi Closed Joint Stock company with commercial registration no.1010259328, and an Authorized Person licensed by the CMA under license no. 08096-37 dated 20 June 2009.

The REIT acquired three properties, including one amounting to SAR 182,400,000 from Makkah Income Generating Fund, a Private Closed Fund also managed by Muscat Capital. Consideration to this purchase was disbursed by way of a cash payment as well as an "In-Kind" consideration by way of Units in the Al Masha'ar Fund amounting to SAR 172,539,000 and SAR 399,861,000 respectively.

The REIT is listed on Tadawul and the units of the REIT shall be traded on Tadawul in accordance with its rules and regulations. The subscribed units of the REIT amount to SAR 572,400,000. The REIT has a term of 99 years, which is extendable on the discretion of the Fund Manager following the approval of CMA.

The initial terms and conditions of the REIT were approved by CMA on 26 Muharram 1439H (Corresponding to 16 October 2017).

The Fund was launched with the investment objective of investing in income-generating real estate assets only in the holy cities of Makkah and Medina, Kingdom of Saudi Arabia. Subsequent to the period ended 31 December 2018 and effective from 10 January 2019, the Fund published its new Terms & Conditions with the updated investment objective to invest in income-generating real estate in any city within the Kingdom of Saudi Arabia.

2. REGULATING AUTHORITY

The Fund is governed by the Real Estate Investment Funds Regulations (the "Regulations") and REIT instructions published by CMA, detailing requirements for real estate funds and traded real estate funds within the Kingdom of Saudi Arabia.

3. BASIS OF PREPARATION

3.1 *Statement of compliance*

These interim condensed financial statements have been prepared in accordance with International Accounting Standard 34: "Interim Financial Reporting" ("IAS 34") that is endorsed in Kingdom of Saudi Arabia and other standards and pronouncements endorsed by the Saudi Organisation of Certified Public Accountants ("SOCPA").

Assets and liabilities in the statement of financial position are presented in the order of liquidity.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Fund's annual financial statements as at 31 December 2019. The results for the six-month period ended 30 June 2020 are not necessarily indicative of the results that may be expected for the financial year ending 31 December 2020.

3.2 *Basis of measurement*

These interim condensed financial statements have been prepared under the historical cost convention except for investments carried at fair value through profit and loss.

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For the six-month period ended 30 June 2020

(Amounts in Saudi Riyals)

3. BASIS OF PREPARATION (continued)

3.3 Functional and presentation currency

These interim condensed financial statements have been prepared in Saudi Riyals (SAR) which is the Fund's functional and presentation currency. All financial information presented in Saudi Arabian Riyals has been rounded to nearest Riyal, unless otherwise mentioned.

3.4 Critical accounting judgments, estimates and assumption

In preparing these interim condensed financial statements, the significant judgments made by the management in applying the Fund's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the financial statements for the year ended 31 December 2019, except for the estimate described below:

Measurement of the expected credit loss allowance

In the preparation of the interim condensed financial statements, management has made certain additional assumptions in the measurement of Expected Credit Loss (ECL). However, in view of the current uncertainty due to COVID-19, any future change in the assumptions and key estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future periods. As the situation is rapidly evolving with future uncertainties, management will continue to assess the impact based on prospective developments.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these interim condensed financial statements are consistent with those used and disclosed in the financial statements of the Fund for the year 31 December 2019.

5. MANAGEMENT FEE, OTHER EXPENSES AND TRANSACTION FEE

- MANAGEMENT FEE, OTHER EXPENSES

On a daily basis, the Fund Manager charges the Fund, management fee at the rate of 1 percent per annum of the Fund's net assets value and is paid on quarterly basis.

- TRANSACTION FEE

The Fund Manager charges the Fund, one-time acquisition fee at the rate of 2.5 percent on the acquisition or sale price of the real estate assets, except for Eskan 4, 5 and 6.

6. CASH AND CASH EQUIVALENTS

	Notes	30 June 2020	31 December 2019
		(Unaudited)	(Audited)
Cash at bank	6.1, 12	8,529,692	1,499,302
Total		8,529,692	1,499,302

6.1 Cash balances are held in current accounts with Bank Muscat and Riyad Bank. The Fund does not earn profit on these current accounts.

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7. INVESTMENTS CARRIED AT FVTPL

	Note	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Muscat Capital Money Market Fund	12	501,769	18,039,084

The following is the movement in investments during the period / year

	30 June 2020 (Unaudited)	31 December 2019 (Audited)
Cost:		
At the beginning of the period / year	18,039,084	7,669,714
Additions during the period / year	500,000	40,115,707
Sold during the period / year	(18,039,084)	(29,923,051)
At the end of the period / year	500,000	17,862,370
Change in fair value:		
Changes in fair value during the period / year	10,729	237,007
Sold during the period / year	(8,960)	(60,293)
At the end of the period / year	1,769	176,714
Net Investments at the end of the period / year	501,769	18,039,084

8. RENT RECEIVABLE

	Note	30 June 2020 (Unaudited)	31 December 2019 (Audited)
At the beginning of the period / year		530,728	530,728
Additions during the period / year		19,212,934	38,637,000
Received during the period / year		(7,727,400)	(38,637,000)
At the end of the period / year		12,016,262	530,728
Provision for doubtful debts	8.1	(11,401,082)	-
		615,180	530,728

8.1 The fund's investment properties comprise of three properties located in Makkah (see Note 9). Due to ongoing Covid-19 crisis and lockdown in the Kingdom and based on several discussions and communications with the tenant of the Fund's assets, the Fund Manager believes that there is considerable uncertainty with respect to the quantum and recoverability of the rental amounts due and hence recorded a specific provision for doubtful debts. As of the date of these financials, the discussions with the tenant are ongoing and have not been finalized.

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For the six-month period ended 30 June 2020

(Amounts in Saudi Riyals)

9. INVESTMENT PROPERTIES

As at 30 June 2020 (Unaudited)

	<u>Note</u>	<u>Land</u>	<u>Building</u>	<u>Total</u>
<u>Cost</u>				
Balance as of 31 December 2019 (Audited)		330,241,376	242,158,624	572,400,000
Additions		-	-	-
Balance as of 30 June 2020 (Unaudited)		330,241,376	242,158,624	572,400,000
<u>Accumulated Depreciation</u>				
Balance as of 31 December 2019 (Audited)		-	13,837,636	13,837,636
Charge for the period	9.1	-	3,459,409	3,459,409
Balance as of 30 June 2020 (Unaudited)		-	17,297,045	17,297,045
<u>Accumulated Impairment losses</u>				
Balance as of 31 December 2019 (Audited)		-	-	-
Charge for the period		-	15,372,805	15,372,805
Balance as of 30 June 2020 (Unaudited)		-	15,372,805	15,372,805
Book Value:				
as of 30 June 2020		330,241,376	209,488,774	539,730,150

As at 31 December 2019 (Audited)

	<u>Note</u>	<u>Land</u>	<u>Building</u>	<u>Total</u>
<u>Cost</u>				
Balance as of 31 December 2018		330,241,376	242,158,624	572,400,000
Additions		-	-	-
Balance as of 31 December 2019		330,241,376	242,158,624	572,400,000
<u>Accumulated Depreciation</u>				
Balance as of 31 December 2018		-	6,918,818	6,918,818
Charge for the year	9.1	-	6,918,818	6,918,818
Balance as of 31 December 2019		-	13,837,636	13,837,636
Book Value:				
as of 31 December 2019		330,241,376	228,320,988	558,562,364

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9. INVESTMENT PROPERTIES (continued)

These investment properties represent three following properties:

- The Eskan 4 building is located in Makkah with an annual rental income of SAR 12.8m;
- The Eskan 5 building is located in Makkah with an annual rental income of SAR 12.3m; and
- The Eskan 6 building is located in Makkah with an annual rental income of SAR 13.5m.

9.1 The Fund has the policy of charging depreciation on building over 35 years using the straight-line method.

10. NET REALIZED AND UNREALIZED GAIN FROM INVESTMENTS CARRIED AT FVTPL

	30 June 2020	30 June 2019
	(Unaudited)	(Unaudited)
Unrealized gain from investments carried at FVTPL	1,769	3,451
Realized gain from investments carried at FVTPL	8,960	39,407
Total	10,729	42,858

11. EFFECT OF NET ASSET (EQUITY) VALUE IF INVESTMENT PROPERTIES ARE FAIR VALUED

In accordance with Article 22 of the Real Estate Investments Funds Regulations issued by CMA in the Kingdom of Saudi Arabia, the Fund Manager evaluates the Fund's assets based on an average of two evaluations prepared by independent evaluators. As set out in the terms and conditions of the Fund, net asset value declared is based on the market value obtained. However, in accordance with accounting policy of the fund, investment properties are carried at cost less accumulated depreciation and impairment losses, if any in these interim condensed financial statements. Accordingly, the fair value below is disclosed for information purposes and has not been accounted for in the Fund's financial statements.

The valuation of the investment properties (the "properties") is determined by **White Cubes Real Estate Company** and **Value Experts**. These two valuers are licensed by the Saudi Authority for Accredited Valuers ("TAQEEM"). The Fund Manager has used the average of two valuations for the purpose of disclosing the fair value of the properties. The properties were valued taking into consideration a number of factors, including the area and type of properties, and valuation techniques using significant unobservable inputs, including the land plus cost model, direct comparison method and discounted cash flow method.

As of 30 June 2020, the valuation of the investment properties are as follows:

	First	Second	Average
<u>30 June 2020 (Unaudited)</u>	<u>Appraiser</u>	<u>Appraiser</u>	
Investment properties	572,400,000	507,060,300	539,730,150
Total	572,240,000	507,060,300	539,730,150
	First	Second	Average
<u>31 December 2019 (Audited)</u>	<u>Appraiser</u>	<u>Appraiser</u>	
Investment properties	572,400,000	572,400,000	572,400,000
Total	572,400,000	572,400,000	572,400,000

Management has used the average of the two valuations for the purposes of disclosing the fair value of the investment properties.

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(Amounts in Saudi Riyals)

11. EFFECT OF NET ASSET (EQUITY) VALUE IF INVESTMENT PROPERTIES ARE FAIR VALUED (continued)

The investment properties were valued taking into consideration a number of factors, including the area and type of property and valuation techniques using significant unobservable inputs, including the financial & fragmentation plot analysis, land plus cost model, direct comparison method and discounted cash flow method. The analysis of investment properties fair value versus cost is disclosed below:

	<u>30 June 2020</u> (Unaudited)	<u>31 December 2019</u> (Audited)
Estimated fair value of investment properties based on the average of the two valuers used	539,730,150	572,400,000
Less: the carrying value of investment property	(539,730,150)	(558,562,364)
Estimated fair value in surplus of book value	<u>-</u>	<u>13,837,636</u>
Units in issue (numbers)	57,240,000	57,240,000
Additional value per unit based on fair value	<u>-</u>	<u>0.24</u>

Net assets (Equity) to unitholders:

	<u>30 June 2020</u> (Unaudited)	<u>31 December 2019</u> (Audited)
Net assets (Equity) attributable to unitholders as per the financial statements before fair value adjustment	549,068,805	576,826,393
Estimated fair value in surplus of book value	<u>-</u>	<u>13,837,636</u>
Net assets (Equity) attributable to unitholders based on fair valuation of investment properties	<u>549,068,805</u>	<u>590,664,029</u>

Net asset attributable to each unit:

	<u>30 June 2020</u> (Unaudited)	<u>31 December 2019</u> (Audited)
Book value per unit as per the financial statements before fair value adjustment	9.59	10.08
Increase in value per unit based on fair value	<u>-</u>	<u>0.24</u>
Net assets (Equity) attributable to each unit based on fair valuation	<u>9.59</u>	<u>10.32</u>

All properties are held in the name of Al Masha'ar REIT real estate Company (the "SPV"). The SPV is holding these properties for the beneficial ownership of the Fund and does not possess any controlling interest or any stake in the properties.

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(Amounts in Saudi Riyals)

12. TRANSACTIONS WITH RELATED PARTIES

Related parties of the Fund include "Muscat Capital" being the Fund Manager, (Bank Muscat being the shareholder of Muscat Capital), with the underlying properties of the Fund being custodized with Riyadh Capital (being the custodian of the Fund).

For management services, the Fund pays quarterly, the management fees at an annual rate of 1% of the net assets (equity) of the Fund attributable to Unitholders, at each valuation date, as set out in the Fund's terms and conditions. However, in light of the Fund manager's announcement on Tadawwul for suspension of the management fee, the accrual of management fee was restricted till 14 March 2020.

The Fund also pays quarterly, the custodian fees at an at an annual rate of 0.03% of the net assets (equity) of the Fund attributable to Unitholders, at each valuation date, as set out in the Fund's terms and conditions.

The significant related party transactions entered into by the Fund during the period are as follows:

<u>Related Party</u>	<u>Nature of transaction</u>	<u>June 2020</u> <u>(Unaudited)</u> <u>Amount of</u> <u>transaction</u>	<u>June 2019</u> <u>(Unaudited)</u> <u>Amount of</u> <u>transaction</u>
Muscat Capital	Management fee	(1,166,261)	(2,886,852)
	Admin fee	(143,419)	(144,343)
	Others	(65,484)	(151,560)
Riyad Capital	Custodial fees	(86,051)	(86,606)

The balances resulting from related party transactions are as follows:

<u>Related Party</u>	<u>Nature of transaction</u>	<u>Note</u>	<u>30 June 2020</u> <u>(Unaudited)</u> <u>Balance</u>	<u>31 December</u> <u>2019</u> <u>(Audited)</u> <u>Balance</u>
Muscat Capital	Management fee **		142,431	(1,323,320)
	Admin fee *		(205,480)	(193,662)
	Others *		(3,152)	(78,134)
Riyad Capital	Custodial fees *		(44,243)	(45,692)
Riyad Bank	Current account	6	8,313,111	-
Bank Muscat	Current account	6	216,581	1,499,302
Muscat Capital				
Money Market fund	Investments	7	501,769	18,039,084

* These balances have been recorded under accrued expenses and other liabilities.

** This is recorded under prepayments and other assets.

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For the six-month period ended 30 June 2020
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13. RISK MANAGEMENT

13.1 Financial risk management

The REIT's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The REIT's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the REIT's financial performance.

Financial instruments carried in these financial statements principally include cash and cash equivalents, rent receivable, and accrued expenses and other liabilities. Financial assets and liabilities are offset and net amounts reported in the financial statements, when the REIT has a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the asset and liability simultaneously.

(a) Market risk

The REIT will be subject to the general conditions of the real estate sector in Saudi Arabia, which itself is influenced by a variety of factors such as, but not limited to the overall macroeconomic growth in the Kingdom, commission rates, demand-supply, availability of financing, investor sentiment, liquidity, legal and regulatory requirement. The REIT management monitors on a regular basis the fluctuation and changes in the overall economic environment and believes that the impact of such changes is not significant to the REIT.

Currency risk

Currency risk is the risk that the value of financial instrument may fluctuate due to a change in foreign exchange rates. The financial instruments of the Fund i.e. bank balances, financial assets held at FVPL, rent receivable and accrued expenses and other liabilities are denominated in Saudi Arabian Riyals. Accordingly, the Fund is not exposed to any currency risk.

Price risk

Price risk is the risk that the value of Fund's financial instruments will fluctuate as a result of changes in market prices caused by factors other than foreign currency and commission rate movements. The price risk arises primarily from uncertainty about the future prices of the financial instruments that the Fund holds. The Fund closely monitors the price movement of its investment in financial instruments. As of the statement of financial position date, the Fund has investment in Muscat Capital Money Market Fund.

The effect on the net assets (Equity) (as a result of change in fair value of investments as at 30 June 2020 and 31 December 2019) due to a reasonably possible change in equity of FVTPL investments, with all other variable held constant, is as follows:

		30 June 2020	31 December 2019
		(Unaudited)	(Audited)
Effect on Net Assets (Equity)	±5%	25,088	901,954

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13. RISK MANAGEMENT (continued)

13.1 Financial risk management (continued)

(a) Market risk

Commission rate risk

Commission rate risk is the risk that the value of future cashflows of financial instruments or fair value of fixed coupon financial instruments will fluctuate due to changes in the market commission rates.

The Fund is not subject to commission rate risk, as it does not currently have any commission bearing financial instruments.

(b) Credit risk

The Fund is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Fund is exposed to credit risk for its rent receivable and cash at bank.

Its Fund's policy to enter into financial instrument contracts with reputable counterparties. The Fund seeks to limit its credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties. The credit quality of the Fund's bank balance is assessed with reference to external credit ratings. The bank balances along with credit ratings are tabulated below.

Rating of Financial Institution	30 June 2020	31 December 2019
	(Unaudited)	(Audited)
Cash at bank		
ba3	216,581	1,499,302
baa1	<u>8,313,111</u>	<u>-</u>
	<u><u>8,529,692</u></u>	<u><u>1,499,302</u></u>

The following table shows maximum exposure to credit risk for the components of the statement of financial position.

	Note	30 June 2020	31 December 2019
		(Unaudited)	(Audited)
Cash and cash equivalents	6	8,529,692	1,499,302
Rent Receivable	8	615,180	530,728

The management has conducted a review as required under IFRS 9 and based on the assessment the management has recognized an allowance for impairment over rent receivables (see Note 8).

(c) Liquidity risk

Liquidity risk is the risk that the Fund may encounter difficulty in generating funds to meet commitments associated with financial liabilities which comprises of management fee payable and other liabilities. The Fund is a closed-ended fund and further to subscribing to the Fund's units during the offering period, no sales and purchase of units are permitted unless specifically approved by CMA.

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13. RISK MANAGEMENT (continued)

13.1 Financial risk management (continued)

(c) Liquidity risk (continued)

The remaining contractual maturities at the reporting date of the Fund's financial liabilities consisting of accrued management and accrued expenses and other liabilities are all due as follows:

30 June 2020 (Unaudited)

	Carrying amount	Up to three months	More than 3 months and up to one year	More than one year
Accrued expenses and other liabilities	651,510	358,458	293,052	-
	651,510	358,458	293,052	-

31 December 2019 (Audited)

	Carrying amount	Up to three months	More than 3 months and up to one year	More than one year
Accrued management fee	1,323,320	1,323,320	-	-
Accrued expenses and other liabilities	645,840	279,546	366,294	-
	1,969,160	1,602,866	366,294	-

The Fund Manager already has adequate cash and liquid assets to settle its financial liabilities as they fall due.

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a variety of causes associated with the processes, technology and infrastructure supporting the Fund's activities either internally or externally at the Fund's service provider and from external factors other than credit, liquidity, currency and market risks such as those arising from the legal and regulatory requirements.

The Fund's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its investment objective of generating returns to unitholders.

13.2 Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Fund uses following hierarchy for determining and disclosing the fair value of financial instruments:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

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13. RISK MANAGEMENT (continued)

13.2 Fair value estimation (continued)

- Level 2 inputs are inputs other than the quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are observable inputs for the asset or liability.

As of June 30, 2020, the Fund's financial instruments comprise cash and cash equivalent, investment carried at fair value through profit and loss, rent receivable and accrued expenses and other liabilities. Except for investments carried at fair value through profit or loss, all the financial instruments are measured at amortised cost and their carrying value is a reasonable approximate of fair value.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments.

30 June 2020 (Unaudited)	Carrying value	Fair Value			Total
		Level 1	Level 2	Level 3	
Financial assets measured at fair value					
Investments carried at Fair Value Through Profit or Loss (FVTPL)	501,769	-	501,769	-	501,769
31 December 2019 (Audited)					
Financial assets measured at fair value					
Investments carried at Fair Value Through Profit or Loss (FVTPL)	18,039,084	-	18,039,084	-	18,039,084

Valuation technique for calculating the fair value of investments under Level 2 comprises of determining the net asset value per unit of the investee funds.

14. FINANCIAL INSTRUMENTS BY CATEGORY

All financial assets and financial liabilities are classified under amortised cost (except for investments carried at fair value through profit or loss which are classified at fair value) as of 30 June 2020 and 31 December 2019.

15. SEGMENT REPORTING

The Fund has invested in three real estate investments in the Kingdom of Saudi Arabia. As it is invested in a single industry sector and in a single country, no segment information has been presented.

16. DIVIDEND DISTRIBUTION

In accordance with the approved terms and conditions of the Fund on 13 January 2020, the Fund's Board approved to distribute dividends with regards to the six-month period ended 31 December 2019 amounting to SAR 0.26 per unit totalling SAR 14,882,400 to its unit holders. The same was paid on 13 February 2020.

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17. CHANGES IN FUNDS TERMS AND CONDITIONS

No changes in the terms and conditions of the Fund during the period.

18. EVENTS AFTER THE REPORTING DATE

In accordance, with the approved terms and conditions of the Fund, On 15 July 2020, the Fund's board of directors recommended to distribute dividends with regards to the period ended 30 June 2020 amounting to SR 0.10 per unit totalling SR 5,724,000 to its unit holders.

19. SIGNIFICANT STANDARDS ISSUED BUT NOT YET EFFECTIVE

A number of new standards and interpretations have been issued but are not yet effective. The Fund intends to adopt all the applicable standards and interpretations when these become effective. The Fund manager has assessed the impact of these new standards and interpretations and believes that none of these would have any effect on the future financial statements of the Fund.

20. LAST VALUATION DAY

The last valuation day of the period was at 30 June 2020 (2019: 31 December 2019).

21. APPROVAL OF INTERIM CONDENSED FINANCIAL STATEMENTS

The interim condensed financial statements were approved by the Fund's Board on 23rd August 2020 (Corresponding to 04th Muharram 1442H).

Signed on behalf of Fund's Board of Directors

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Authorized Signatory